

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Public Inquiry on the Methodology to
Estimate the Value of the Postal Service
Letter and Mailbox Monopolies

Docket No. PI2020-1

CHAIRMAN'S INFORMATION REQUEST NO. 3

(Issued February 18, 2020)

To further assist the Commission in its public inquiry concerning potential methodological changes to the computation of the estimated values of both the combined letter and mailbox monopolies and the mailbox monopoly alone (collectively the postal monopoly),¹ the Postal Service is requested to provide written responses to the following questions. The responses and data requests should be provided as soon as possible, but no later than March 19, 2020.

1. The current methodology to estimate the value of the postal monopoly uses data in part from the Postal Service's Rural Mail Count (RMC).² The RMC data has the most recent rural route evaluation performed in March 2018 on each active rural route (active before, or as of, February 2018).³ Rural routes established

¹ Notice and Order Providing an Opportunity to Comment, October 1, 2019 (Order No. 5260).

² Postal Regulatory Commission *Report on Universal Postal Service and the Postal Monopoly*, December 19, 2008 (Report). See Report, folder "Appendices.zip," folder "USO Appendices," PDF file "Appendix F Section 4.pdf," *Quantitative Analysis of the Value of the Postal and Mailbox Monopolies*, Robert H. Cohen, at 9 (Analysis of Postal and Mailbox Monopolies), available at: https://www.prc.gov/prc-reports?keys=USO&field_report_type_value=All&=Apply.

³ Docket No. ACR2019, Library Reference USPS-FY19-40, December 27, 2019, PDF file "USPS-FY19-40.Preface.pdf" at 2 (Docket No. ACR2019, Library Reference USPS-FY19-40); Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-41 of Chairman's Information Request No. 4, January 24, 2020, question 21 (Docket No. ACR2019, Response to CHIR No. 4).

after February 2018 are not included in the March 2018 RMC. Docket No. ACR2019, Response to CHIR No. 4, question 21.

- a. Please specify the number and type of routes in the March 2018 RMC dataset that were likely adjusted after the March 2018 route evaluation. If the Postal Service is unable to identify such routes, please explain why not.
 - b. For new rural routes activated after February 2018, the Postal Service states that they “are formally evaluated as resources permit.” Docket No. ACR2019, Response to CHIR No. 4, question 22. Please quantify how many new rural routes have received a formal evaluation. If the Postal Service cannot quantify how many new rural routes have received a formal evaluation, please explain why not.
2. In its Docket No. ACR2019, Response to CHIR No. 4, the Postal Service states that “[t]he established [Annual Compliance Report] methodology has the RMC dataset updated only when a complete Rural Mail Count occurs.” *Id.* question 21. Is it feasible for the Postal Service to provide an updated annual RMC dataset, prior to “when a complete Rural Mail Count occurs” for use in the Commission’s postal monopoly valuation model? If so, please provide and discuss the feasibility of a potential future schedule. If not, please explain the reasons why not.
3. Please refer to the response and table provided in the Docket No. ACR2019, Response to CHIR No. 4, question 20. Please explain the meaning and difference between the ranges for “Standard Hours” and “Evaluated Hours” in the table included with the response.
4. Under the current methodology, the postal monopoly valuation model uses delivered volumes by shape from the RMC that are converted to product volumes using conversion factors or distribution keys from the Rural Carrier Cost System

(RCCS).⁴ The model calculates whether the revenue from the contestable volume on the route covers the entrant's costs. Analysis of Postal and Mailbox Monopolies at 9.

- a. In the RMC rules for completing Postal Service Form 4239 (Rural Route Count of Mail), "Column 1 – Letter Size" states that "[a]ll detached address cards (with a specific address) for sample merchandise, shared mail, magazines, and catalogs are included in the letter count."⁵ In "Column 7 – Boxholders," it states "[w]hen samples are received with detached address labels (specifically addressed), enter the total number of samples" and "[i]nclude simplified address, detached labels (no specific name or address) in this column." Handbook PO-603 *Rural Carrier Duties and Responsibilities* at 116.
 - i. Please discuss how the RCCS methodology counts, and as to what shape(s): detached address cards with a specific address, detached address cards with no specific address, and sample merchandise included with detached address cards.
 - ii. Please discuss for which shapes the counting of delivered volumes may or may not differ between the RMC and RCCS.
- b. Under the current postal monopoly model valuation methodology, the volume as estimated by the RMC (for rural routes) and the volume from the weighted City Carrier Cost System (CCCS) sampled routes is used to estimate total delivered volume.⁶ Please discuss whether the estimated total delivered volume for rural routes (using the RMC delivered volumes

⁴ See Analysis of Postal and Mailbox Monopolies at 9.

⁵ Docket No. ACR2019, Response to CHIR No. 4, question 25, Library Reference USPS-FY19-46, folder "ChIR 4 Q 25 Rural," folder "RMC Instructions," PDF file "po603.pdf," September 2013, at 114 (Handbook PO-603 *Rural Carrier Duties and Responsibilities*).

⁶ See Analysis of Postal and Mailbox Monopolies at 9.

by shape) would under- or over-estimate total rural volume as compared to the RCCS delivered volumes by shape.

- c. The RMC rules for Postal Service Form 4239 (Rural Route Count of Mail), "Column 15 - Non-Signature Scan Items," state "[e]nter the number of items scanned for which no signature was required."⁷ For mailpieces with USPS Tracking (non-signature) service, would the volume be counted and included in both the RMC dataset variable "SCANITEM" and the shape variables delivered volumes such as "LETTERS" or "PARCELS?"⁸ If not, please confirm that letters or parcels with USPS Tracking service would be counted in their respective RMC delivered shape variables.
5. The Postal Service provided the FY 2018 CCCS manual and digital datasets with additional variables in support of its initial comments.⁹
- a. Please provide the FY 2019 CCCS manual and digital datasets with the same additional variables including the unencrypted ZIP Code.¹⁰
 - b. Please provide the number of city routes in each ZIP Code for both the manual and digital FY 2019 CCCS datasets.
 - c. Please provide the number of city routes in each ZIP Code for both the manual and digital FY 2018 CCCS datasets.

⁷ Handbook PO-603 *Rural Carrier Duties and Responsibilities* at 119.

⁸ Docket No. ACR2009, Library Reference USPS-FY09-40, December 29, 2009, PDF file "USPS-FY09-40.Preface.pdf," at 3.

⁹ Initial Comments of the United States Postal Service, November 1, 2019, at 4; Library Reference USPS-PI2020-1/1, November 1, 2019, folder "PI2020.1.UPDATED Z FILES.zip," SAS datasets "cccs_z_acrfy18_dig_monop.sas7bdat," and "cccs_z_acrfy18_monop.sas7bdat" (Library Reference USPS-PI2020-1/1).

¹⁰ The Postal Service may file the same data in a public library reference for other interested users and provide an electronic file mapping the actual route ZIP Code to the encrypted ZIP Code in a non-public library reference. See Library Reference USPS-PI2020-1/1, PDF file "PI.2020.1.Cmmtns.Fldr1.Preface.pdf" at 2-3; Library Reference USPS-PI2020-1/NP1, November 12, 2019, provided with Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 2, question 5.b. (Response to CHIR No. 2)

- d. Please provide the FY 2019 RCCS manual and digital SAS datasets with the same additional variables (including the unencrypted ZIP Code) provided for the CCCS manual and digital SAS datasets.
 - e. Please provide the number of rural routes in each ZIP Code for both the manual and digital FY 2019 RCCS datasets.
 - f. Please provide the FY 2018 RCCS manual and digital SAS datasets with the same additional variables (including the unencrypted ZIP Code) provided for the CCCS manual and digital SAS datasets.
 - g. Please provide the number of rural routes in each ZIP Code for both the manual and digital FY 2018 RCCS datasets.
6. In its response to CHIR No. 1, the Postal Service confirmed that the Delivery Operations Information System delivery point sequence (DPS) volume is available for the same route-days currently sampled in the manual CCCS.¹¹ Under the current postal monopoly model methodology, the CCCS route-days are evaluated to determine whether the entrant can profitably deliver the contestable volumes on the city route. Analysis of Postal and Mailbox Monopolies at 9.
- a. Please provide, for each of the FY 2018 manual sample CCCS routes, the DPS volume for the test day.¹²
 - b. Please provide, for each of the FY 2019 manual sample CCCS routes, the DPS volume for the test day.

¹¹ Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 1, October 17, 2019, question 5 (CHIR No. 1).

¹² The Postal Service can provide an electronic file with the route number, ZIP Code, test date, and any other necessary linking variables such that the routes DPS volume can be merged with the data set provided in Library Reference USPS-PI2020-1/1 for the FY 2018 CCCS manual.

7. Please provide the March 2018 RMC dataset with each route's unencrypted ZIP Code.
8. Please refer to the Excel file "PI2020.1.ChIR2.Attachmnt.xlsx," tab "Q6.FY18DigitalData_ManStrata," column F included with the Response to CHIR No. 2. Please describe how the figures in column F labeled "XX" differ from and were derived as compared to the figures in columns C-E.
9. Please refer to the Excel file "PI2020.1.ChIR2.Attachmnt.xlsx," tab "Q6.compareFY17Man_FY18Dig," column L "CVs, DPS" included with the Response to CHIR No. 2. Please provide the SAS programming steps and/or workbooks that show how the mailcode coefficient of variation was derived from the SAS dataset included with Docket No. ACR2017, Library Reference USPS-FY17-34.¹³

By the Chairman.

Robert G. Taub

¹³ Docket No. ACR2017, Library Reference USPS-FY17-34, December 29, 2017, folder "USPS-FY17-34_CCCS," SAS file "cccs_z_acr_public_fy17_final.sas7bdat."